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Nigeria

Exporter Guide

Exporter Guide for Nigeria 2013

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Report Highlights:

Nigeria's total food and agricultural imports are growing and estimated at over \$8 billion in 2013. Wheat, rice, sugar, frozen fish, dairy products, vegetable oil, intermediate and consumer-oriented products are the largest imports. U.S. wheat exports to the country almost reached \$1 billion last year and other U.S. food and agricultural exports to the country such as tallow, dairy, wine, beverage bases, feed and fodder as well as consumer-ready products was over \$1 billion as at November 2013. The country's new Agricultural Transformation Agenda (ATA) aims at self-sufficiency in food and agricultural supply but it is employing anti-import measures such as high duties, levies and proposed import ban to achieve this. Security challenges, inadequate infrastructure, climate change, poor policy funding and implementation, delay in adopting agricultural biotechnology, etc. remain the major challenges to increasing domestic food and agricultural production.

SECTION I. MARKET OVERVIEW

Nigeria is the largest market in sub-Saharan Africa with a population of more than 170 million people, and a population growth rate estimated at three percent annually. Petroleum exports account for about 20 percent of GDP, 95 percent of total export earnings and close to 85 percent of federal government revenue. Economic growth has maintained annual average of 7.4 percent over the past decade. This is driven by a recovery in oil prices and growth in the non-oil sector, particularly telecommunications, construction, wholesale/retail trade, hotel and restaurant services, manufacturing and agriculture.

Although growth is projected at 6.6 percent in 2013, Nigeria is expected to attain below 10 percent inflation during the year (inflation rate fell from 13.7 percent in 2010 to 10.2 percent in 2011 following monetary policy tightening). Despite these developments, the poverty rate and unemployment rate continue to increase. Two thirds of the population living on less than \$1 per day and the unemployment rate reached more than 23.9 percent in 2012.

The Government of Nigeria (GON) has a well articulated agricultural policy, but poor funding and implementation have limited development in the sector. Current policies as proposed in the GON's Agricultural Transformation Agenda (ATA) aim to increase agricultural production, enhance farm incomes, and achieve food security. The GON consistently focuses on developing the agricultural sector as both an engine of growth and in order to promote self-sufficiency and food security. GON agricultural initiatives unfortunately are underfunded and inefficient and often do not reach the intended recipient small farmers. Other weak links in Nigeria's agricultural system are the lack of extension services and underdeveloped, uncompetitive processing industries.

Climate change has had a significant impact on Nigeria's agricultural production and the country may need to fast track biotechnology to meet its mounting food security challenges, but the enabling legislation remains in limbo. Imports meet a significant amount of the country's food needs and trade in food products is a critical component of food security. However, Nigeria continues to maintain import restrictions on several agricultural products, including poultry and beef products, and have added new restrictions on others as it pursues its ATA. These restrictions encourage smuggling and ultimately increase prices for consumers.

Despite rapid growth in the oil industry in recent years, agriculture still accounts for about 40 percent of GDP and provides employment, formal and informal, for about 70 percent of over 170 million Nigerians. Nigeria's agriculture remains largely subsistence-based, with about 80 percent of agricultural output coming from rural farmers who live on less than a dollar per day and farm less than one hectare. Major agricultural commodities are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish, and timber.

Nigeria's total food and agricultural imports are estimated to reach over \$8 billion by end of 2013, from about \$7.15 billion in 2012, and U.S. wheat is expected to account for more than 20 percent of the country's total food and agricultural imports (despite recent upward tariff movements on imported wheat). Nigeria's major imports are wheat, rice and sugar. The United States is a leading exporter of agricultural products to Nigeria, reaching \$1.07 billion in CY 2013 exports, down slightly from \$1.09 billion in CY 2012. Exports of U.S. value-added products have been increasing.

Nigeria's agricultural exports to the United States in CY 2012 were approximately \$94 million, but

dropped significantly as at November 2013 to \$46.9 million, and consisting mainly of rubber and cocoa related products. Cocoa production, mostly from obsolete varieties and overage trees, is stagnant at around 180,000 tons annually; 25 years ago it was 300,000 tons. Decline in the production of rubber also arose from the almost total neglect of the rubber industry. Other factors behind such poor production are low yield of trees, particularly the unknown pedigree that dominate the small holdings, and preponderance of old trees that have passed their peak of production.

Nigeria must fight corruption, fix its dilapidated state of infrastructure and overcome over-dependence on the oil and gas industry by growing its non-oil sector, especially agriculture in order to address its food security challenges. Among U.S. strategic interests in Nigeria's agricultural sector are:

- Import substitution efforts are curtailed and the GON returns to liberalizing trade in line with its WTO commitment;
- Nigerian government enacts science-based biotechnology regulations, and public awareness of biotechnology is enhanced;
- A greater variety of U.S. agricultural products are available in the Nigerian market;
- Nigeria's agricultural market works more efficiently;
- Nigeria improves two-way trade with the U.S.;

Despite some difficult challenges of doing business in Nigeria, U.S. exporters are encouraged to explore entering Nigeria's expanding market as the country's huge population and improving democracy continue to offer rewarding market opportunities.

Key Commodities & Sectors

Wheat

Nigeria continues to be a strong growth market for U.S. wheat and exports have risen over 400 percent over the past decade. Nigeria is one of the most important markets for U.S. wheat (HRW), usually among the top three global markets. The milling sector continues to expand and installed milling capacity is estimated at 6.2 million tons with only about 50 percent currently in use.

Rice

Nigeria is the world's second largest rice importer and was in the past an important export market for U.S. brown and parboiled rice. On average Nigeria imports 2 million tons of parboiled rice per annum, officially and unofficially (smuggled). The GON is attempting to boost local production to become 100 percent self-sufficient within two years, but is not succeeding in this effort.

Raw/Brown Sugar

Nigeria depends almost exclusively, about 90 percent, on raw sugar imports that are shipped mostly from Brazil, which are then refined by the local domestic sugar industry. Post forecasts Nigeria's raw sugar imports in 2012 will rise to 1.5 million tons from 1.2 million tons of raw sugar. In 2012, the country's domestic sugar production is forecast at 65,000 tons (raw value) and overall sugar consumption was about 1.34 million tons. Since January 2013, high levies/duties have been introduced on sugar to discourage its import and only producers and manufacturers (sugar millers) are receiving licenses to import raw sugar to the level of their installed sugar refining capacities. The GON also plans to impose a total import ban on sugar of any form by January 2015.

Poultry and Aquaculture

Poultry and aquaculture are averaging growth of over 20 percent per year for the last five years. Despite this growth, poultry production has not kept pace with the phenomenal increase in fast food operations and institutional catering facilities. Domestic poultry supply falls short of yearly consumption requirements by an estimated 300,000 MT. Poultry meat Imports are banned yet commonly available in the market place. Aquaculture efforts remain fairly unsophisticated and unable to take advantage of the market demand.

Food Service

Rapid expansion of food service presents opportunities for U.S. exporters. This U.S. \$5 billion (2012 industry estimate) sector imports less than 10 percent of their items. Nigeria's foodservice sector consists of hotels, restaurants, and institutional service (HRI), with quick service restaurants growing the fastest. Food service operators are interested in obtaining U.S. brand franchises. Growth in the sector offers excellent opportunities for U.S. exporters of a wide range of products.

Dairy

Nigeria's dairy market is estimated at 340,000 MT worth about \$480 million. Imported milk powder is the dominant input in the sub-sector. Manufacturers reconstitute and sell milk powder in three categories—powdered, evaporated and condensed milk; packaged in metal cans and sachets of different weights. Imported skimmed milk powder is also an input for the food drink and cookies manufacturers, etc. The practice of processing yoghurt from imported milk powder is also growing.

Consumer Oriented Products

Nigeria's overall imports of consumer-oriented food products (recorded and unofficial) are experiencing strong growth. These imports are estimated at \$850 million for CY2013. Although imports of some products are restricted by GON bans and high tariffs, the partial adoption of the liberalized ECOWAS CET and domestic market growth has continued to encourage importers in spite of trade restrictive GON policy developments. Applied duties under the CET range from five to 20 percent. Most Nigerian importers of mixed container loads require the services of freight consolidators.

Advantages & Disadvantages

Advantages	Disadvantages
Nigeria's large population of more than 170 million growing at 3 percent per year provides U.S. exporters a large and growing market.	Very small presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
	Import bans remain on some major food and agricultural products.
Increasing awareness of U.S. processed/intermediate foods in Nigeria; the perception of U.S. foods among Nigerian consumers is also high.	Although Nigeria's middle-class is expanding Nigeria's dominant and price-sensitive mass market oftentimes limits volume of U.S. exports.
Changing demographics, including greater urbanization, more women working outside home, and changing lifestyles of the large youth population is increasing the Nigerian consumers' shift towards western food types and consumption patterns.	Longer transit times and official bottlenecks at Nigeria's ports can reduce shelf life of U.S. products.
U.S exporters are assisted by the USDA Ag. Office	Negative perceptions about Nigerian

in Nigeria with finding credible buyers and obtaining market intelligence.	businesses among some U.S. exporters and a reluctance to do business in Nigeria.
Nigeria's growing middle-class and western-style retail sector, rising incomes and a trend toward greater demand for healthy foods are creating market similarity and easing transaction.	Weak infrastructure and increasing energy and production costs. Security concerns in the northern Nigeria where the country's major agricultural activities, take place limiting farming as well as making distribution of goods in the region a high risk and expensive task.

U.S. consolidators and exporters of food and agricultural products can sell mixed containers at relatively low-cost and low-risk as Nigeria has adopted the 'Global Listing for Supermarket' items.	Strong competition from other suppliers, especially the EU and Asia. Inadequacy of consolidated shipments required for large vessels to be used to leverage high freight cost
Nigerian buyers consider U.S. suppliers as consistent and reliable in terms of volume, standards and quality.	Often U.S. freight rates are significantly higher than those from the EU and South Africa.
The GON's recent import policy and port reforms (destination inspection and port concessions) are reducing port clearance time and invoicing costs.	Inconsistent and poor implementations of GON policies and high levels of unofficial transactions and procedures.
A recently inaugurated U.S. to Nigeria direct and regular shipping route by Maersk Lines and other shipping lines.	More than 70 percent of Nigeria's population lives on less than \$2 per day.
Nigeria's rising income (average per capita income increased by nearly 200 percent to over \$1,000 in the last five years).	Shipment freights from the United States are more than 40 percent higher than from the EU.
USDA's GSM-102 credit program can provide a competitive tool for penetrating Nigeria's price-sensitive market.	The restructuring of Nigeria's banking sector in 2009 impacted negatively on lending for imports into the country.
U.S. superior and efficient agricultural production and processing.	The Nigerian financial system still has some bottlenecks impeding easy access to the USDA's GSM-102 program by local buyers.
Duty-free access to the U.S. market of Nigeria's food and agricultural products such as cotton, wine and a variety of agricultural products (under AGOA) is expected to increase a two-way trade between the U.S. and Nigeria.	The poor response of Nigeria's entrepreneurs to AGOA and soaring cost of production limiting Nigeria's capability to achieve a two-way trade.
The U.S. has a Trade and Investment Framework Agreement (TIFA) with Nigeria where both countries discuss bilateral trade policy issues.	The United States has no Free Trade Agreement and bilateral investment treaty with Nigeria.

SECTION II: EXPORTER BUSINESS TIPS

General and Agricultural Trade Situation

Despite the rapid growth of the oil industry over the years, agriculture still accounts for about 40 percent of GDP and provides employment, both formal and informal, for more than 70 percent of the population. Nigeria's agriculture remains largely subsistence-based, with about 80 percent of agricultural output coming from indigent farmers who farm less than one hectare. The country also has about 50 million people involved in agriculture and they farm with no more than 30,000 tractors only. Crop production accounts for about 85 percent of agricultural activities, with livestock and poultry accounting for 10 percent, and fisheries and forestry, less than one percent.

Nigeria's agricultural export to the United States in 2012 is \$93.8 million.

Major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish and timber.

Agriculture has shown some growth the past few years but, Nigeria remains a major importer of food and agricultural products:

- Nigeria imported approximately \$1.05 billion in 2012 from the United States—largely bulk commodities such as wheat from the United States, rice and sugar from Asia and Brazil, fruit juice concentrate/pre-mixes and dairy products. The country's food and agricultural imports are expected to reach more than \$8.0 billion by the end of 2013;
- The market for frozen fish (especially, mackerel, herring and croaker) is also large and is mostly sourced from the EU, South America, Asia and some African countries;
- U.S. exports are primarily wheat but, exports of U.S. value-added intermediate and consumer-ready products have also risen quickly in recent years.

The major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava, yams, rubber, cattle, fish and timber. Nigeria's agricultural exports to the United States decreased by forty-six (46) percent to \$51.8 million in (November) 2013 from about \$95.2 million for the same time frame in 2012. Cocoa, rubber, tree nuts, spices and seafood (mainly shrimp) are the country's major agricultural exports. The principal export destinations are the United Kingdom, United States, Canada, France, and Germany.

The disruptive activities of the "Boko Haram" (BH) Islamic sect in northern Nigeria, where the major part of Nigeria's food supply is produced and consumed, have upset agricultural production and distribution as access to farms and markets has become risky and expensive (For details, visit: [Insecurity And Fuel Price Hike Threaten Food Security In Nigeria Lagos Nigeria 2-17-2012](#)).

Climate change has also continued to impact negatively on Nigeria's agricultural production and distribution over the past few years. Between July and October 2012, flooding in Nigeria pushed rivers over their banks and submerged hundreds of thousands of acres of farmlands. These elements have combined to markedly increase the costs of food and food marketing in Nigeria. While Nigeria has been "muddling" through these developments, sustained problems in food production and distribution pose significant threats to the nation's food security.

Nigeria is a huge net importer of agricultural products, with total imports of \$7.15 billion and exports to all countries at about \$700 million in 2012. Imports are dominated by bulk/intermediate commodities

such as wheat, rice and sugar. The United States is a substantial exporter of agricultural products to Nigeria, with exports estimated at more than \$1.1 billion in 2012. Although U.S. exports are primarily wheat (about 90 percent), exports of U.S. value-added and consumer-ready products have maintained steady growth the recent years. Major competitors for the Nigerian market are Europe, Asia, and South Africa. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria account for about 50 percent of the total. Imports from Asia, especially China, have grown markedly in recent years and investment from China in all sectors of the economy has experienced very rapid growth.

Nigeria is a long standing member of the WTO and is an active participant in CODEX and WTO committees. However, the country's powerful agricultural and industry interests have continued to hamper GON's attempts at total trade liberalization. Hence, the country continues to pursue trade protection regime but remains under pressure to liberalize trade in conformity to its WTO commitments. Imports of all live cattle, beef, and beef products are not allowed due to BSE related concern. Pork, Mutton, and Goat meat are also unilaterally banned. Nigeria also bans live poultry (excepting only day-old chicks) and poultry meat, including fresh, frozen, and cooked poultry meat, due to concerns over their ability to enforce SPS standards on imported animals and goods. In 2008, GON released a new tariff book for 2008-2012 that significantly liberalized imports—relaxing import restrictions on textiles, tooth picks, furniture and cassava products in 2010.

Nigeria requires that all food, drug, cosmetic, and pesticide imports be accompanied by certificates of analysis from manufacturers and appropriate national authorities, regardless of origin. Specified animal products, plants, seeds, and soils also must be accompanied by proper inspection certificates. The National Agency for Food and Drug Administration and Control (NAFDAC) is the Government of Nigeria (GON) agency responsible for administering sanitary and phytosanitary (SPS) standards which are mostly the application of the Codex Alimentarius Commission, European Union, and U.S. Food and Drug Administration standards. NAFDAC's responsibilities include protecting Nigerian consumers from fraudulent or unhealthy products and its limited capacity for carrying out inspections and testing contributes to what critics have characterized as a heavy-handed, arbitrary approach to regulatory enforcement which sometimes leads to delays in clearance of legitimate food imports.

Nigeria has no existing laws governing agricultural biotechnology but the country's National Assembly (NASS) passed a bio-safety bill into law on June 1, 2011 but the law requires the President's assent before it becomes operational. Reportedly, Nigeria's Presidency recently stated that the bill has become void as the bill was passed by the 6th session of Nigeria's National Assembly (NASS) whereas the current NASS is the 7th session. This implies that the bill will have to be re-processed entirely again in order for it to reach the stage it would require the President's assent. Further information visit: [Agricultural Biotechnology Annual Lagos Nigeria 7-5-2012](#).

U.S. Agricultural Exports to Nigeria

Total U.S. agricultural exports to Nigeria increased from about \$1.04 billion in 2008 to more than \$1.06 billion in 2013. Wheat accounted for about 90 percent of the total food and agricultural exports. Industry sources indicate that U.S. exports of consumer-oriented food products exceeded \$85 million in 2012 as more of this export category enters the market unrecorded.

The Table below shows a breakdown of recorded U.S. food and agricultural product exports to Nigeria in 2013:

U.S. Agricultural Products to Nigeria CY 2013

<i>Type of Agricultural products</i>	<i>Exports Figure (\$ million)</i>
<i>Bulk</i>	934
<i>Intermediate</i>	40
<i>Consumer Oriented</i>	68
<i>Forest Products</i>	1
<i>Fish and Seafood</i>	12

Source: BICO Report
(<http://www.fas.usda.gov/gats/BicoReport.aspx?type=country>)

The principal competitors for the Nigerian market are Europe and Asia. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria, accounts for about 45 percent of the total. Imports from Asia, especially China, have grown markedly in recent years and investment from China in all sectors of the economy has grown rapidly.

Export Incentives

The Nigerian Export Promotion Council administers a number of export incentive programs, which includes tax concessions, export expansion grants, and foreign currency retention programs. Under the newly redesigned Export Expansion Grant which is company-based rather than product-based as in the past, the GON provides rebates ranging from 5-30 percent. Eligibility and rates are weighted by how much of a firm's activities contributed to creating local jobs. For example, cocoa grinding falls within the 30-percent maximum, while export of cocoa beans only qualifies for a 5-percent rebate. This had assisted the country's export of non-oil products to reach about \$650 million in 2011.

According to the Nigeria's Central Bank, the country's domestic manufacturing is expanding. Improved business confidence, enhanced credit delivery and the improved electricity supply assisted manufacturing capacity utilization at 57.0 percent in 2010, to rise by 3.8 percent in 2011. Despite this, high-cost and unreliability of electricity, weak infrastructure, a 45 per cent increase in raw material procurement cost, an increased cost of capital, multiplied taxation, among others, have continued to deter production in Nigeria's food processing and manufacturing sector. The low level of domestic agricultural production and food-processing too, currently provides consumers with only a limited selection of products. This has created a situation where there is greater reliance on imports.

Tariffs, Economic Union & Trade Agreements

Nigeria's policy implementation has been poor due to the wide range of vested political interests in the country. Nigeria implements a protective trade regime. Market access improved somewhat in 2005 when the GON began the phased-in adoption of the ECOWAS Common External Tariff (CET) and announced full implementation of the CET (<http://ictsd.org/i/news/10674/>), which would remove the remaining import bans by January 2008.

However, Nigeria failed to abide to its CET agreement for total liberalization by 1 January, 2008 and import bans on many products remain in place. The GON released a new tariff book (2008-2012) in 2008 that significantly liberalized imports—relaxing import restrictions on textiles, tooth picks, furniture and cassava products in 2010. However, a number of products remain banned for imports, particularly poultry products, pork and beef. Nigeria's powerful agricultural interests and industry groups are opposed to recent attempts to fully liberalize trade.

Some countries in the West African sub-region have signed an interim EU-ECOWAS Economic Partnership Agreement (EPA) with the EU in 2007 which offers duty-free access for exports of these countries to the EU. EPA is a free trade agreement, which seeks drastic reduction and, eventually, total removal of duties on goods imported and exported between the European Union countries and its former colonies in Africa, the Caribbean and the Pacific (ACP) countries. Either the CET or the EPA would require Nigeria to liberalize trade fully.

Although Nigeria recently removed some food and agricultural products from import ban list, the country continues to implement protectionist agricultural trade policies—especially levies, higher import duties and import bans, in contravention of its WTO commitments. Because of its restrictive trade policies, Nigeria is unable to sign this agreement.

This is constraining agricultural trade, creating food security concerns and mounting pressures requiring Nigeria to embrace trade liberalizations.

At present, Nigeria has no Free Trade Agreement and bilateral investment treaty with the United States. However, Nigeria signed a Trade and Investment Framework Agreement (TIFA)—<http://www.usa-nigeriabizforum.com/inner.php?link=3> with the United States in 2004 where outstanding trade policy issues are raised. Discussions for the TIFA with Nigeria have provided a venue to raise these issues in the past. In addition, Post continues to work closely with FAS Washington to elevate Nigeria's outstanding trade-related issues at the WTO.

SPS and Regulatory Systems

In general, the Government of Nigeria (GON) does not use SPS regulations as barrier to imports. However, in 2005 the GON implemented the following SPS related import bans which are still in force:

- Imports of bird eggs, live or dead birds including frozen poultry products from all countries have been banned since 2005, with the rationale being to prevent the spread of Avian Influenza.
- Beef imports are also banned, with BSE being the rationale despite the fact that the ban applies to all countries, even those without BSE cases. The real reason for these bans is to protect local producers and middlemen.

The National Quarantine Service and Federal Fisheries Department both of the Federal Ministry of Agriculture have statutory responsibilities for plant health and seafood inspections, respectively. The National Agency for Food and Drug Administration and Control (NAFDAC) under the Federal Ministry of Health is the GON agency responsible for regulating processed food product importation, advertisement and internal distribution. Existing SPS standards are mostly the application of the Codex Alimentarius Commission, European Union, and U.S. Food and Drug Administration standards.

NAFDAC requires that all food, drug, cosmetic, and pesticide imports be accompanied by certificates of analysis from manufacturers and appropriate national authorities, regardless of origin. Specified animal products, plants, seeds, and soils also must be accompanied by proper inspection certificates. Items entering Nigeria must be labeled exclusively in the metric system, as specified by law. U.S. producers and exporters note that relabeling goods to meet this requirement is expensive and could limit U.S. exports to Nigeria.

In theory, any regulated item not registered with NAFDAC is not legally importable. In practice, many processed foods are routinely illegally smuggled into Nigeria through the land borders, by sea and by

air without having gone through the registration process. In recent years, NAFDAC appears to have become more active and stringent in enforcing existing food laws, primarily to protect local producers and secondarily to curb widespread adulteration of processed food products. The main strategy employed by the agency for the enforcement of Nigeria's food laws is the process of product registration. However, these agencies have limited capacity for scientific risk assessment and Nigeria's animal and plant health inspection services systems lack basic infrastructure.

Agricultural Biotechnology

The Government of Nigeria is generally supportive of biotechnology. After several years of discussion and debate, the Nigerian Senate finally passed the Bio-safety Bill into law on June 1, 2011. The passage of the law demonstrates that the country is prepared to receive, regulate and, most importantly, commercialize biotechnology products. The law leans heavily on the precautionary approach and requires certification and mandatory labeling for imports of all products of biotechnology. In the meantime, Nigeria is currently conducting field trials for transgenic cow pea, sorghum and cassava varieties.

Recent reports from the office of Nigeria's President indicate that the earlier submitted bio-safety bill has become void as it was passed by the 6th session of Nigeria's NASS whereas present NASS is the 7th session. It therefore, will have to be reprocessed and passed by the 7th session NASS before resubmission for President's assent. This will be a major setback for Nigeria's adoption of agricultural biotechnology which the country needs direly to feed its growing population as well as provide food for its neighbors, especially within the Sahel region.

Climate Change

Climate change has continued to become significant and impact negatively on Nigeria's agricultural production and distribution over the past few years. Between July and October 2012, flooding in Nigeria pushed rivers over their banks and submerged thousands of acres of farmlands. Yields for major crops were impacted: rice is down 22.4 percent, corn down 14.6 percent, soybeans down 11.2 percent, cassava down 9.3 percent and cowpea down 6.3 percent as a result of the flooding. This has threatened the country's food security situation as many farmers had lost everything and prices of basic foodstuffs and supplies are already fast-rising. Floods had also forced about 1.3 million people from their homes and more than 400 lives lost. These are also already impacting negatively on domestic food supply and is expected that the GON will have to import significant quantity of food during this last quarter of year 2012 and most of 2013 as a result of this.

USDA Cooperators and Stakeholders

Despite a large and growing market, the USDA marketing cooperators for processed food products, such as MIATCO, WUSATA, etc neither have representatives nor conduct market promotion and development activities in Nigeria. However, some USDA stakeholders especially in the bulk and intermediate products are increasing presence here:

- The U.S. Wheat Associates is very active in Nigeria in providing trade facilitation and technical assistance to the wheat milling industry. Post works closely with the USWA and their country/SWOT analysis basically mirrors that of Post.
- The American Soybean Association under its World Initiative for Soy in Human Health (WISHH) has used the Quality Samples Program and a number of conferences to encourage the use of U.S. soybean ingredients in soymilk and other products.
- The U.S. Grains Council has organized trade facilitation activities to help create linkages between Nigerian importers and U.S. grains exporters.

- The US Rice Federation has also established market presence in Nigeria

U.S. Exporters' Prospects

U.S. exporters are advised to explore entering Nigeria's large and expanding market. Although the challenges of transacting business in this country appear intimidating, Nigeria's huge population with the many rewarding market opportunities outweighs its threats. U.S. agribusinesses already in this market should also persevere as the fears of doing business here are usually overcome as business relationship with Nigerian firms endures. U.S. agribusinesses interested in doing business in Nigeria should freely contact the USDA office in Nigeria (see:

http://nigeria.usembassy.gov/foreign_agric_service.html) to find credible local firms.

Buyers' Preferences for Agricultural Products

Importers prefer consumer-oriented products with the following characteristics:

- Relatively small-sized, prepared and packaged for affordable one-time use.
- Bulk, intermediate products and ingredients for local re-processing and packaging.
- Mixed-grocery containers.
- Perishable food products processed dry and packaged for a long shelf life without the need for refrigeration (for example dry seafood; dairy products such as milk powder; instant beverage drinks, etc).
- Packaged food products with longer "Best Before" dates.

Product Registration and Regulations

All processed foods must be registered with Nigeria's food regulatory agency--National Agency for Food & Drug Administration and Control (NAFDAC)--to be legally imported into Nigeria. Exporters cannot directly handle product registration without a Nigerian company serving as importer/distributor. NAFDAC requires there be a local partner so if they ever had to do a recall, they have a place to start their process. The cost of product registration is typically borne by the importer except when an exporter agrees to assist the importer in paying these costs. It is advised that U.S. exporters contact the FAS/Lagos office in Nigeria when importers make similar requests from them.

Animal Food Regulations

A source from NAFDAC, Nigeria's food regulatory agency (U.S. FDA equivalent) indicated that there is no national standard for regulating dog or animal food in Nigeria. However, NAFDAC regulates dog foods of any kind the same way as human foods and applies the Codex standards for regulating Animal foods. Two additional tests—for melamine and mycotoxins—are also conducted on dog /animal foods before they can pass for marketing and consumption. Visit: [Food and Agricultural Import Regulations and Standards - Narrative Lagos Nigeria 7-17-2012](#), for details.

Import Duties & Collections

The Nigerian Customs Service (NCS) is the GON agent responsible for import duty collection. The agency has begun the utilization of Automated System for Custom Data (ASYCUDA++), a paperless Direct Trader Input (DTI) for online submission and processing of custom documents and duty payments. (ASYCUDA accelerates Customs clearance and simplifies procedures through computerization) This has assisted with faster customs clearance at ports, and reduced unofficial practices resulting mostly from increased contact between GON officials and freight agents/importers

during customs clearing.

Nigeria commenced a partial implementation of the ECOWAS CET in November 2005 which harmonized its tariffs with those of other ECOWAS member states and reduced the tariff bands from twenty to five. Despite these steps, GON's protectionist policies persist, including numerous import bans. GON had stated, however, that all these bans would be phased out by January 2008 in compliance with its CET commitments, however the bans remain in place.

Port Concessions & Destination Inspections

As of April 2006, in order to increase efficiency the GON adopted port concession, which transferred ports' operation to private sector operators. However, importers are reporting that the change has only added minimal improvements in cargo handling and port clearance. Reportedly, Nigeria's new authorities also think operators' selection did not follow due process and may consider reviewing the policy. Uncertainties about this possible review are causing operators to pursue more investment recovery activities than improve port infrastructure to meet desired efficiency level.

As of January 2006, GON also replaced Pre-shipment Inspection (PSI) with Destination Inspection (DI). This means that all goods destined for Nigeria's ports are now inspected at the point of entry rather than the point of shipment. NCS remains responsible for duty valuation, classification, collection and release of consignments. The GON-appointed private firms function as Destination Inspection service providers and provide x-ray cargo scanning services at entry ports. They also review importers' documents and issue a Risk Assessment Report (RAR) to guide NCS on the risk, classification and value for customs purposes.

Documentations, Export & Customs Clearing

Procedural Steps: Opening letters of credit in Nigeria now takes between 2-3 days for the importer (buyer) to accomplish and follows these steps:

- Importers process Form 'M' with his/her pro-Forma invoice through any local Authorized Dealer Bank (ADB) irrespective of the value and whether or not payment is involved [Form 'M' is a quadruplicate document completed to apply or seek authorization to import from the relevant GON agent--Central Bank of Nigeria (CBN)].
- The Form 'M' shall be valid for importation only after acceptance by the relevant scanning company and Risk Management Service Provider.
- Supporting documents shall be clearly marked 'VALID For Foreign Exchange (FOREX) or NOT VALID FOR FOREX' as appropriate. This is depending on whether or not foreign exchange remittance would be involved.
- The Form 'M' and relevant pro-forma invoice shall carry a proper description of the goods to be imported to facilitate price verification. Visit the following websites for details:

[Food and Agricultural Import Regulations and Standards - Narrative Lagos Nigeria 7-17-2012
http://www.shipperscouncil.com/seminars/Current%20Customs%20Procedure.pdf](http://www.shipperscouncil.com/seminars/Current%20Customs%20Procedure.pdf)

Redesigned Export Expansion Grant Fund (REEGF)

In 2002, the GON introduced the Export Expansion Grant (EEG) in order to encourage local processing and manufacturing firms to create more jobs. This program offered a 40 percent rebate to companies

exporting fully manufactured and semi-processed products with high local value addition, and 5 percent for products that do not fall into the first category.

Inherent loopholes in determining which products qualified for which rates resulted in gross abuse of the program and caused the GON to scrap it during the 1st quarter of 2005. However, organized local manufacturers and processors [under Nigeria's Manufacturers Association of Nigeria (MAN)] pressured GON to re-introduce the Redesigned Export Expansion Grant Fund (REEGF) in November 2005, which became effective in January 2006.

REEGF is company-based rather than product-based grant and provides rebates ranging from 5-30 percent. Eligibility and rates are weighted by how much of a firm's activities contribute to creating local jobs. For example, cocoa grinding falls within the 30-percent maximum while export merchandising of cocoa beans only qualifies for a 5-percent rebate. Please visit http://www.customs.gov.ng/Guidelines/Industrial_Incentives/index.php, for details.

Summary

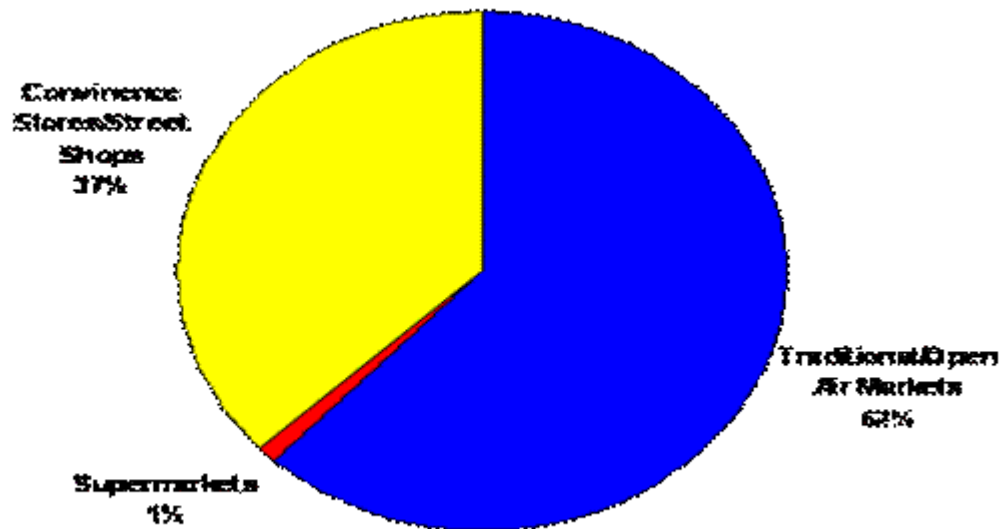
Imports of food and agricultural products should maintain the upward trend as Nigeria's inadequate domestic food processing activities are unable to meet rising domestic demand. Nigeria's import of food and agricultural products, estimated at \$3.7 billion in 2011—approximately 15 percent growth compared to 2010—is expected to reach a minimum of \$7.15 billion and over \$8 billion by end of 2012 and 2013 respectively. The products are predominantly bulk/intermediate commodities—mostly wheat, rice and sugar. Presently, the EU, Asia and South Africa are the leading suppliers of processed and intermediate products to this market. Although cross-border smuggling remains high, Nigeria's recent import policy and port reforms, destination inspections and ports concessions, are encouraging more formal trade preferred by U.S. exporters. This, along with economic growth and changing consumer demands are expanding market opportunities for U.S. exports to Nigeria. Of particular concern to the U.S. agricultural sector is Nigeria's need for agricultural trade liberalization in line with its WTO agreement as well as participate in addressing the country's food security challenges.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

Nigeria's retail food sector consists of supermarkets, convenience stores/small groceries, and traditional, open-air markets sharing 1.0 percent, 37 percent and 62 percent of total retail food sales, respectively.

Composition of Nigeria's Retail Food Sector



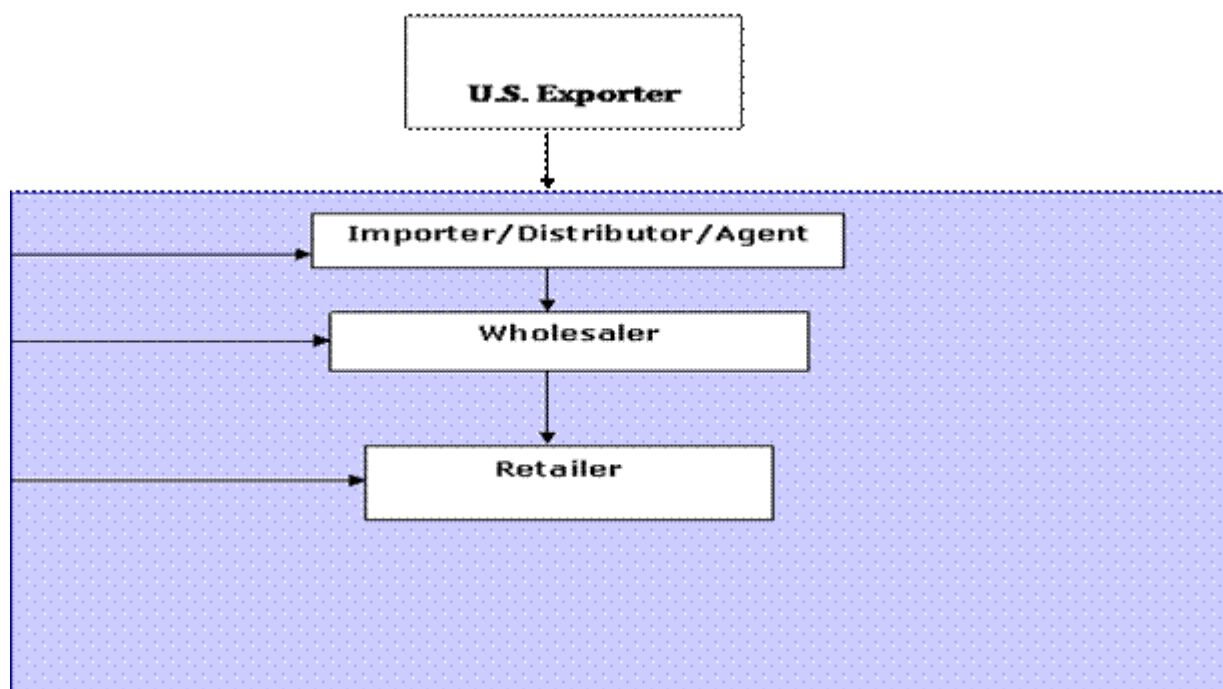
Nigeria's Retail Food Sector re-shaping and is also attracting multi-national supermarkets. Although the traditional open-air markets remain the dominant channel for Nigeria's retail food sales, there has been a gradual but steady shift towards consumer food purchasing at the supermarket and the convenience store channels over the last 5 years.

Nigeria had a history of developed supermarket retailing until social and economic changes in early 1980s diminished the country's middle class significantly. However, there have been recent and growing instances where middlemen such as the wholesalers/agents are bypassed in Nigeria's distribution channel for consumer-oriented foods. With the changing trend, processors, manufacturers and importer-distributors seek competitiveness by selling large volumes directly to retail food outlets. This trend is becoming attractive to multi-national supermarkets/hypermarkets and food service firms.

ShopRite, a multi-national supermarket firm from South Africa, has operated in the Lagos city of Nigeria for more than 5 years. Recently, SPAR has partnered with a Nigerian supermarket firm to launch its first outlet also in Lagos. (SPAR is a Dutch-based supermarket giant founded in 1932 with global revenues in excess of 27 billion Euros, and the world's largest food retailer with approximately 20,000 stores in 35 countries.) Their presence is expected to set up competition within Nigeria's retail food sector and further quicken the changing shape of the country's retail food merchandising.

Nigeria's retail food merchandising usually follow the channel shown in flowchart below:

Typical Distribution Channel in Nigeria's Retail Food Sector



An importer may either be the U.S. exporter's appointed agent and sole representative or he may be buying mixed-grocery containers from various consumer-oriented food exporters and wholesale/retail outlets around the globe.

The wholesaler sells to retailers in large quantities and at discounted prices. Retailers purchase more than 80 percent of their stock of consumer-oriented foods from importers and wholesalers located in the traditional, open markets.

The GON has introduced some measures to minimize informal imports of consumer-oriented products, more products still enter the market undervalued, concealed and unrecorded or through cross border smuggling activities.

In 2012, consumer-oriented food imports are estimated at \$850 million and industry sources forecast the figure will increase by 20 percent in 2013.

Industry estimates of the origin of imported processed food products in 2011 are shown below:

U.S. market share is low but increasing mostly due to:

- Higher freight rates for shipments from the United States.
- Unfavorable perception of Nigerian firms by some in U.S. trade.
- Some U.S. exporters' reluctance to meet Nigerian importer demands, especially on documentation and product specifications.
- Lack of sufficient contacts between Nigerian importers and U.S. consumer-oriented food exporters.

Informal exports of U.S. consumer-oriented foods have risen geometrically the last few years. Industry sources indicated that a minimum of \$96 million worth of U.S. consumer-oriented foods was exported to Nigeria in 2013. However, sources indicate that more than half of these exports enter the Nigerian

market unrecorded through either cross-border smuggling or falsified documentation. The same applies to consumer food exported from other countries of the world. This is so because Nigeria's high-tariff and protective trade regimes encourage importers to connive with port and border officials to evade the payment of high official tariffs in order to make their products competitive in the local market.

According to USDA's BICO Export report, the value of official U.S. consumer oriented food exports to Nigeria was about \$35.7 million in 2012. This reached \$68 million by November 2013; a nearly 91 percent increase compared to the same period in last year. Post expects this export figure will reach \$73 million by the end of 2013. Wine and beer, dairy products, breakfast cereals, processed fruits and vegetables, tree nuts, fruit juices, and mixed grocery items make up most of these imports.

Nigeria's middle-class as well as their income levels has also continued to increase for more than a decade and expatriate community keeps expanding. The positive outlook for Nigeria's democracy and economy are providing comfortable environment to increase competition and advance sales growth. The partial adoption of the more liberalized ECOWAS CET is also encouraging imports. U.S. food product exports are projected to continue to increase following the recent commencement of a direct shipping route from the United States to Nigeria. This will reduce ordering and shipping time. GON's import and port reforms are also assisting in minimizing informal imports and false documentations, which were major advantages for third-country suppliers to the Nigerian market. Most Nigerian importers of mixed container loads also require the services of freight consolidators based in the United States.

Food Processing (FP), Intermediate Foods & Ingredients

In Nigeria, the food processing sector is dominated by small and medium enterprises, as well as multinational food companies. About 65 percent of Nigeria's manufacturing sector is food processing, and according to industry sources, manufacturing had an estimated 5.0 percent share of Nigeria's GDP.

Nigeria can build its domestic food processing sector on the following intermediate products: Sorghum, maize, millet, cowpea, "garri" (fermented cassava starch), cowpea, palm oil, fish, and rice. Sorghum, millet and maize are widely consumed by most households and are used by various industries. Maize is mainly used by the poultry industry as a raw material for feed while sorghum is used by breweries for producing beverages. Garri is widely produced and consumed by households in the south and some in the north. Rice is produced and consumed throughout the country while cowpea gets to the southern markets from the north where they are produced and also consumed. Despite this, Nigeria's food processing is underdeveloped due mainly to ineffective policies, high-cost local production and weak infrastructure.

Nigeria is dominated by mass market consumers with low purchasing power, and a diet high in carbohydrates. In order to boost sales and increase market share, manufacturers focus on packaging and selling products in affordable small units for one-time use. However, an expanding middle-class and rising incomes are prompting increased demand for low-carb, low-fat, and even sugar-free food and beverages. Also growing concerns regarding food safety and dietary quality are also increasing demand for higher quality products. As a result, local processors are developing and improving products in order to meet the needs of this niche market.

According to industry sources, imported processed food products contribute only 5 percent of Nigeria's total food supply estimated at \$20 billion in 2013. The locally semi-processed and unprocessed foods contribute a huge 60 percent. The country's market size for imported intermediate foods and ingredients such as nutrients, flavors, colors, vitamins, etc., for use in local food processing, was estimated at more

than \$7.0 billion in 2012. Approximately, \$4.0 billion worth of both intermediate foods and ingredients were imported and 1.9 percent of intermediate foods and ingredients were imported from United States.

Industry sources estimate that the country's food processing sector will be about 25 percent up and demand for intermediate foods and ingredients can exceed \$8.0 billion and imports of these products expected to reach \$4.5 billion by 2013. This will result from the following:

- The recent GON's seeming commitment to improving domestic infrastructure—especially, electricity and the country's continued export drive in the non-oil sector
- Nigerian consumers are becoming increasingly discerning and demanding better quality food products, more local food processors perceive imported intermediate products/ingredients as the highest quality products
- The increasing desire to explore external sources for food ingredients to differentiate their products for competitiveness
- Nigeria's increasing urbanization and income are also creating more sophisticated consumers deviating from consumption of traditional menus and seeking convenience-type foods such as potato chips, tortilla chips, cereal snacks, pretzels, popcorn and various other snacks.

Nigeria's recent and continuing shift toward convenience-type foods largely accounts for the increasing number of snack and fast food processors and outlets. The value of snacks consumed in Nigeria per annum is estimated at more than \$180 million and Nigeria's snack consumption grows approximately 20 percent per year. Nigeria's food service sector also worth over \$5 billion with its Quick Service Restaurants (QSR) sub-sector growing at annual average of 25 percent.

Nigerians also perceive that processed food and ingredients from the U.S. are of higher quality whereas local food processors see U.S. suppliers as more reliable. They have therefore continued to seek for U.S. suppliers of ingredients such as seasonings, colors, spices, coatings, flavors as well as other intermediate products to produce a variety of snacks and other more convenient, easy-to-eat foods especially, from the local staples. Leading QSR firms are increasingly found to differentiate their offerings with ingredients imported from the United States and competing firms desire to follow suit.

The combination of import restrictive measures (implemented by GON to protect domestic industries, primarily food processors) as well as the initiation of REEGF (export rebate) had helped domestic food processing to grow at an average of 10 percent per annum during past 5 years. However, key sector players including the Manufacturers Association of Nigeria, report more recently that Nigeria's food processing sector has resumed its declining trend due mainly to the continued state of poor infrastructure (especially power), multiple taxation and GON's inconsistent policies—allegedly, often initiated on political basis.

Nigerian food processors report that the sector will become extinct if the country is pressured to sign and/or fully implement such regional trade agreements as the ECOWAS CET and EPA. They argue that Nigeria does not have the comparative advantage and the necessary infrastructure that abound in other regions which makes local food processing a high-cost activity. According to the estimation of key government agencies, the IMF and the World Bank, Nigeria's infrastructural gap will need over \$510 billion to bridge investment for the next 15 years (Source: Nigeria's AFBTE Annual Report).

Potential for increased export sales is present for the following inputs:

Bulk	Intermediate	Processed
Barley and Malt	Corn Starch	Baking mixes, Yeast & Baking Powder
Edible and inedible Fat	Ethanol	Jam & Jellies
Raw Sugar	Fruit Juice Concentrate	Mayonnaise
Refined Sugar	Fruit pre-mixes & syrup	Salad Dressing
Wheat	Ice Cream Pre-mixes	Sauces, Spices
Paddy Rice	Other Beverage Bases	Tomato Ketchup
	Dairy Products	Seasonings, etc
	Flavors, Sweeteners	
	Industrial Salt, other micro-nutrients, other ingredients for food and feedstuff processing, edible tallow, etc.	

Third-country suppliers from the EU, Far-East Asia, South America as well as South Africa show increased interest in the Nigerian food ingredients/intermediate products market and are quick to adapt to the requirements of this growing sector.

Nigerian food processors perceive U.S. ingredient suppliers as reliable in terms of volume, standards, and quality but U.S. exporters are constrained by:

- Limited knowledge of the Nigerian ingredient market among the U.S. trade.
- Strong competition from South Africa, the EU and Asian suppliers.
- Limited local infrastructure, limited operational capital, high local production costs, and unstable GON import policies.
- A lack of knowledge of food ingredients available from the United States by Nigerian importers.
- Limited contact with and negative perceptions of Nigerian businesses among some U.S. exporters.

Food Service (HRI) Sector

Nigeria's food service sector; consisting of hotels, restaurants and caterers (HRI) was estimated to reach \$5 billion in 2013. The largest and fastest growing segment is the quick service restaurants (QSR).

Growth in the HRI sector is driven by modest economic growth, urbanization, more women working outside the home and changing demographics in favor of the youths who have a preference for western style convenience foods. The sector is expected to continue to grow as convenience QSRs become more and more important in the Nigerian way of life. In the same vein, import demand for food ingredients by the operators is trending upwards.

U.S. products with best market prospects include potato chips, sauces, seasonings, pastry mixes, seafood, canned food, wine and ice cream. Except for wines and poultry meat, the import duties on these products range from five percent to 20 percent. Major food service operators are looking for franchises to represent major U.S. companies in Nigeria, especially in the quick restaurant sector.

Dairy Products

Nigeria is a potential market for 1.3 million tons of milk worth about \$3 billion. The domestic production that enters through formal marketing channels is approximately 600,000 tons, worth an estimated \$1.5 million. Domestic fresh milk production is grossly insufficient. Demand for other value-added dairy products such as butter, cheese, ice cream, yoghurt and other milk beverages is also huge and growing.

According to industry sources, more than 75 percent of local dairy product consumers and dairy-related food processors (including biscuit, snacks and ice cream manufacturers) also rely almost entirely on

imported powdered milk worth about \$300 million annually.

For instance:

- About 412,000 MT of biscuits (produced mostly for the low-income mass market—value averagely \$360.5 million) are produced in Nigeria each year;
- The value of snacks consumed per annum is estimated at more than \$159.6 million;
- Large and automated as well as medium-to small-scale bakeries have been established to meet increasing bread and biscuits demand;
- Snack consumption in Nigeria grows by approximately five percent per annum;
- And, imported milk powder is the principal input for local ice cream production with Nigeria's ice cream market estimating 10 million liters valued approximately \$40 million per year.

Trends of U.S. Dairy Exports to Nigeria (2008- October 2013)

Year	2008	2009	2010	2011	2012	2013 (October)
Amount (\$ Million)	8	2.5	2	6.5	5.4	8.5

Source: BICO Report (<http://www.fas.usda.gov/gats/BicoReport.aspx?type=country>)

Growing population, increasing urbanization, and rising per capita income are expected to stimulate rising demand for dairy based products. Meanwhile, domestic production remains insufficient due to increasing production/processing costs, non-competitiveness of the industry, and the failure to incorporate more advanced technologies. Additionally, there is export potential for livestock genetics, fodders and dairy-based food processing inputs which will likely increase.

The EU (Netherlands, Denmark) is the dominant dairy product suppliers and many U.S. firms are apprehensive of doing business in Nigeria due to perceived negative business image of Nigerian firms among the U.S. trade. U.S. dairy product exports (mainly, high-value dairy products) reached about \$7 million (approx. approximately 20 percent of total market) in 2008 and 2009. It dropped to about \$2 million in 2010 but jumped to more than \$6 million by August 2012. In October 2013, it has risen to about \$9 million.

The more efficient dairy processing in the United States should provide U.S. suppliers an advantage over third-country suppliers in exporting processed and intermediate dairy products to this market. USDA/FAS office in Lagos (Nigeria) assists U.S. firms with identifying legitimate Nigerian businesses and encourages U.S. exporters to persevere in this market. As business relationships with Nigerian firms endure, the apprehension of doing business in this country will be overcome.

Frozen Fish/Seafood:

Frozen seafood is the cheapest form of animal protein in Nigeria and consumption has been increasing. However, due to insufficient domestic catches and aquaculture production, Nigeria depends on large volumes of imports to satisfy demand. Nigeria is a potential market for approximately 2.5 million MT of fish. Of the country's 1.5 million MT fish demand, approximately 1.0 MT is imported.

According to industry sources, imports significantly dropped more than 31 percent in 2009 due to the impact of global financial crises and increasing costs. The restructuring of Nigeria's banking sector in

2009 also impacted negatively on lending for seafood imports into the country. Removal of subsidy on fuel by GON January this year, also impacted demand negatively but the market is trending up and expected to surpass 800,000 MT by the end of 2013. U.S. fish exports have grown from \$900,000 worth of fish products in 2012 to approximately \$11.7 million in 2013.

Due to the scarcity and rising price of Atlantic species from the major suppliers (the Netherlands), Nigerian buyers are looking to other supply sources, including the United States, for especially mackerel, herring and croakers. High energy cost translating to higher U.S. freight charges as well as the dominant one-way seafood trade contributing to low U.S. market share.

In 2007, the U.S. recertified Nigeria for shrimp exports to the United States. As a result, it is possible that reefer containers used to transport shrimp to the United States could be available for shipping seafood and other perishable foods back to Nigeria at reduced freight costs.

Nigeria's Federal Fisheries, a department in the country's Federal Ministry of Agriculture (USDA equivalent) issues import permit to firms wishing to import frozen fish into Nigeria. Upon arrival, NAFDAC with Federal Fisheries, inspects and release the consignment to the importer for entry into the market if considered wholesome.

Aquaculture/Fish Feed Market

Total domestic production is low at about 500,000 metric tons and aquaculture contributes about 100,000 MT per year, or less than one percent of the total fish consumed in the country.

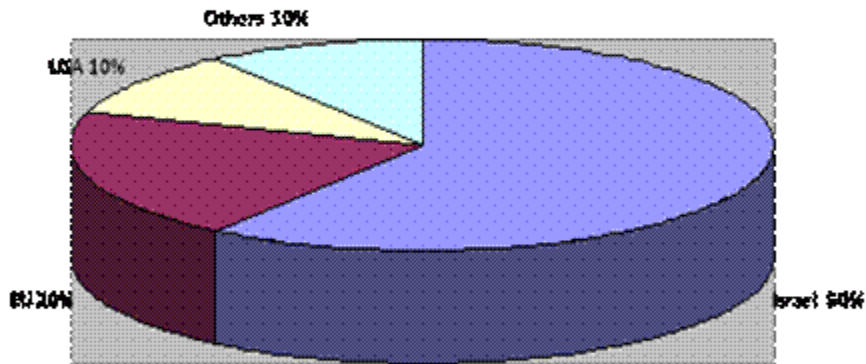
With Nigeria's strong demand for seafood, dwindling global fish stocks and the Government of Nigeria(GON) continued pursuit for increased local aquaculture and fish supply, Nigeria's aquaculture should be contributing significantly to the country's Gross Domestic Products (GMP) but aquaculture feedstuffs constitute about 70 percent of total production cost and discourage investment in the sector.

Most domestic fish feed productions are not formal--many local fish farmers formulate fish feeds for use in the fish farms but there are some local firms producing pelletized fish feeds. The local fish feeds are inexpensive but they do not meet farmers' requirements for desired fish yield.

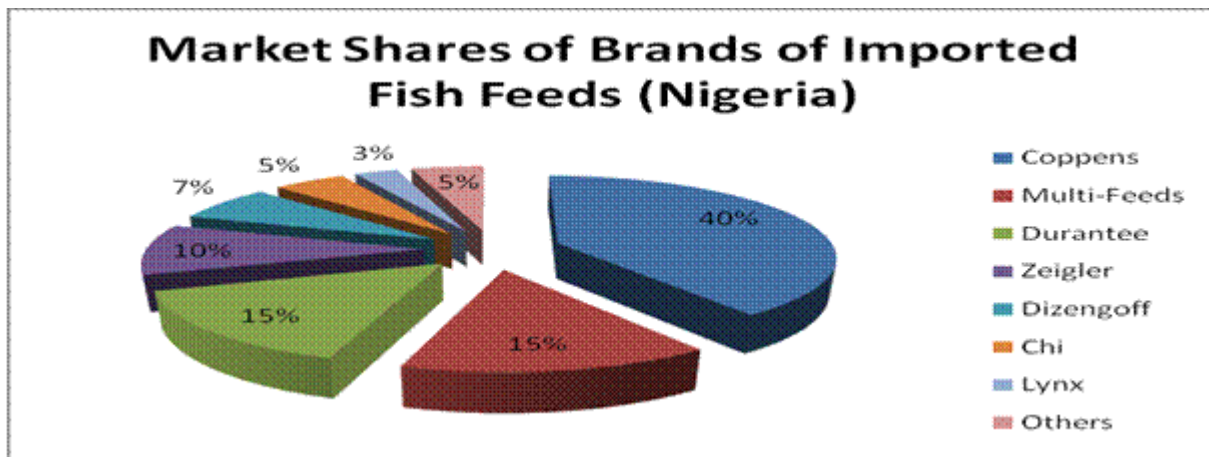
Nigeria imports approximately 40,000 tons of fish feed (significantly for catfish and tilapia production) valued at \$60 million per year. All imported feeds are floating and come in 15 kg and 20 kg bags and in the following [(2, 3, 4 5 6.5, 8, and 9) millimeters (mm)]. Average market price is \$1,500 per ton.

Aquaculture feedstuffs are imported into Nigeria from suppliers in different countries as shown in the chart below:

Origins of Imported Aquaculture Feeds in Nigeria



Following chart shows market shares of available brands of imported fish feeds in Nigeria:



Legally, fish feed products are registered by NAFDAC (Nigeria's equivalent of FDA) prior to market and consumption. Product registration by NAFDAC gives the local company registering the product an exclusive distribution right to import the product/brand into Nigeria.

Wine & Spirits

In 2003 GON placed a ban on imports of beer and all non-alcoholic wines and beverages into the country to protect local industries. The ban remains in place. Only alcoholic wines and spirits can be imported at 30 percent tariff in line with the ECOWAS regional tariff (CET). However, the government (GON) introduced a 20 percent levy towards the end of 2008—thus raising real duty on wine and spirits to 50 percent.

Despite this, average wine consumption per capita jumped 1236.2 percent to approximately 0.5 liters and increasing between 2004 and 2012. Still wines led the market—the category accounted for more than 80 percent share. Increasing demand results largely from:

- Nigeria's large and increasing population (over 170 million) and underdeveloped/high-cost local wine create strong growth prospects for wine exports to Nigeria.
- Growth will be for Nigeria's market over the coming years. The expected growth will result from Nigeria's large population growing at an annual rate of 5% and providing an ever increasing consumer base.
- Nigeria's middle-class and income have also continued to increase for more than a decade. The positive outlook for Nigeria's democracy and economy also means consumer spending will increase and advance sales growth.
- Nigerians are also increasingly becoming health-conscious and accepting wine products as healthier than competing beverages such as, beer, spirits, soda, and others served at homes, bars and social activities.
- New brands and the entry of new players are beginning to result in increased competition, and lowered prices, aggressive marketing and fuel growth in sales.

Market Structure for Wine & Spirits

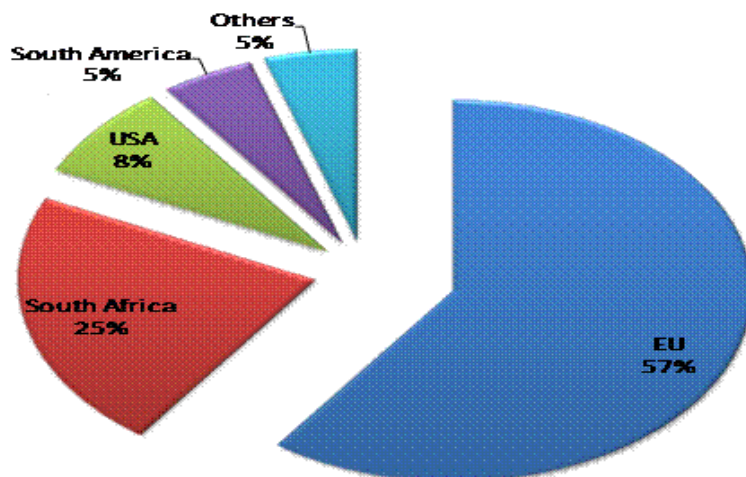
Nigeria's market for imported alcoholic wine products is driven by product prices and higher alcohol contents. The bulk of wine used to be sold through retailers (supermarkets, grocery retailers and open markets) as well as bars and restaurants patronized by the middle and high income consumers.

However, the recent increase in wine consumption has significantly shifted wine distribution channels more to the traditional open wet markets (mostly patronized by the low and middle income consumers). Currently, sales through traditional markets now account for about 70% of the total. Wine consumption at bars and other food service outlets is small, less than 10 percent of the total.

Competition

The EU countries (Spain, Italy, France, etc) and South Africa are the major wine suppliers to Nigeria.

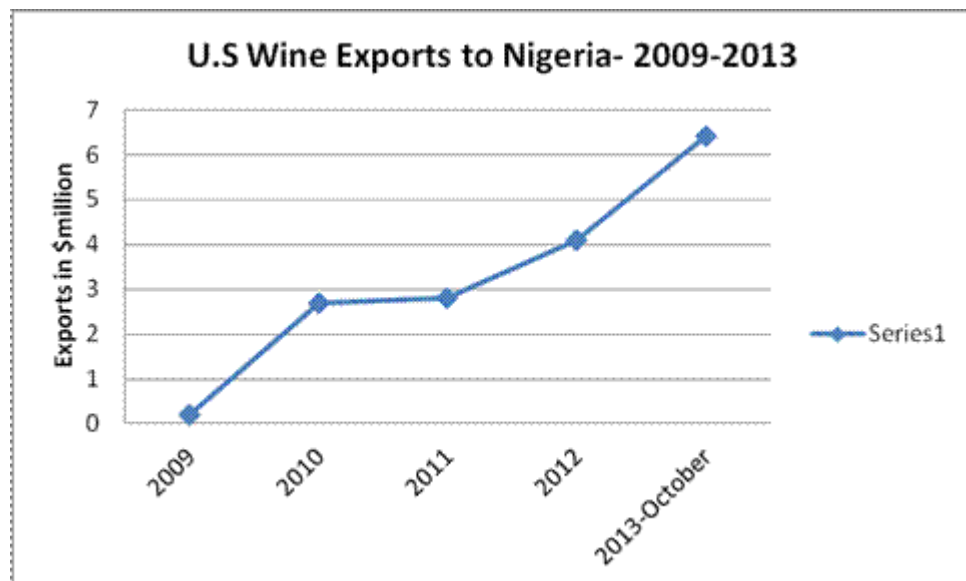
Origins of Imported Wine & Spirits Products to Nigeria, 2011



Source: Industry

Although France, Italy, and Spain in the EU as well as the U.S. (California) are the traditional wine countries, Nigerians import mostly from South Africa, Chile, Argentina and all other sources that produce wine products that are perceived to be good quality and also offered at affordable prices.

Value of U.S. wine exports to Nigeria has increased geometrically to over \$7 million by November 2013 compared to \$3.9 million by that time last year. U.S. wine exports to Nigeria grew from about \$3.9m in 2012 to approximately \$7.4m in 2013 (BICO report).



Data Source: BICO Report

However, industry sources indicate that U.S. official export data do not capture much of U.S. wine exports to Nigeria as many products (especially, those attracting high duty such as wine) still pass through port clearance either under-valued or undeclared at Nigeria's ports. Many of such products also enter the market through cross-border smuggling activities. For details please visit: [International Brands Celebrate Growth in Nigeria's Spirits Market_Lagos Nigeria 4-13-2012](#).

Commodity Highlights

Rice

Nigeria is forecast to increase rice production to reach a total of 3.1 million tons in 2014 from 2.4 million tons in 2013, while imports are estimated at 2.9 million tons in 2014. The Government of Nigeria (GON) introduced new tariffs for rice (effective July 1, 2012) which brought a 30 percent levy on imported brown rice and a 50 percent levy on imported polished/milled rice with an expected final levy increase of 100 percent, effective December 31, 2012. The new expected tariffs have resulted to stockpiling of rice by importers and have increased cross-border trade in rice (with Benin and Cameroon), which is expected to reach 100,000 tons. Please visit [Update of Nigeria's Rice Market as of October 2012 Lagos Nigeria 10-15-2012](#), for details.

Sugar

President Goodluck Jonathan announced new tariff measures for sugar and sugar related equipment and machinery in his 2013 Budget Speech. The tariff policy that will take effect starting January 1, 2013 proposes a zero percent import duty on machinery and spare parts imports for local sugar manufacturing industries and also a five year tax break for investors in the local sugar sector. The total tariff on imported refined sugar will increase to 80 percent from the current 35 percent. Raw sugar tariffs will also increase from the current 5 percent to 60 percent. The GON plans to meet 70 percent of Nigeria's sugar needs through local sources in the medium term. Visit [Nigeria Hikes Sugar Tariffs to Swell Domestic Sugar Production Lagos Nigeria 10-18-2012](#), for details.

Wheat

Effective July 20, 2012, the Government of Nigeria (GON) introduced a 15-percent levy on wheat grain imports resulting in an increase of the effective duty from 5 percent to 20 percent. The GON also introduced a 65 percent levy on wheat flour imports to increase the effective duty from 35 percent to 100 percent, beginning July 1, 2012. As a result, the prices of wheat flour and bread have increased about 20 percent. Currently, flour millers are cautious, monitoring market situations in view of the new tariff, while U.S. wheat exports to Nigeria have decreased about 20 percent to about \$672 million in June 2012 as compared to the same period last year.

Visit [Nigeria Introduces Levy on Wheat Grain Lagos Nigeria 8-31-2012](#), for details.

SECTION IV: MARKET ENTRY STRATEGIES

New-to-market U.S. food and agricultural products exporters should consider the following market entry strategies and tactics:

- Select a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce these products to the local market and develop consumer demand. For assistance contact the Office of Agricultural Affairs, U.S. Consulate General, Lagos-Nigeria.
- Identify and sell through consolidators based in the U.S. who are already serving the West African region.
- Collaborate with USDA Cooperators covering Nigeria to sell enter the market.
- Exhibit at related trade shows in the United States, which are attended by Nigerian importers. This will make follow-up contacts easier.
- Offer product shipment in mixed-lot containers, and offer flexible shipping volumes.
- Adopt a pricing strategy, which encourages importers to initiate buying activities with U.S. suppliers.
- Send sample products and sales catalogs to Post to facilitate locating local buyers.

SECTION V: BEST PROSPECTS

Consumer-oriented products which are allowed for export to Nigeria

- Breakfast Cereals
- Sugar confectioneries (sweets and chocolate), biscuits, candy products, etc
- Snacks Foods
- Wine, including sparkling wine
- Alcoholic beverages & Spirit & Liqueurs (excluding beer)

- Canned vegetables, Nuts, Milk, Cream (powdered), Honey products
- Spices, Sauces including, Soy Sauce, Mixed Seasoning
- Coffee, Tea & Herbal products
- Yeast & Baking Powder
- Tomato Ketchup, Mayonnaise & Salad Dressing
- Canned Soups, Baby Foods & Health Food products
- Sweeteners & Non-Dairy Coffee Whiteners
- Powdered beverages
- Packaged rice
- Fresh fruits and Vegetables
- Chocolate, etc

Product type offering the most sales potential in Nigeria

- Agricultural-based food ingredients
- Aquaculture Feeds
- Frozen seafood
- Fast food, other HRI food ingredients and dairy products including, ice cream and yoghurt
- Industrial processed foods & beverages especially, fruit juice concentrate, and bulk products for local re-processing and packaging
- Bakery, confectionery, and food preparation ingredients
- Specialized food ingredients such as additives, preservatives, and flavorings
- Ingredients and additives for feedstuffs
- Processed fruits and vegetables
- Nutrition/health food products
- Relatively small-sized imported or domestic-processed HVPs, prepared and packed for one-time use, etc.

Products Currently Banned for Exports to Nigeria

Wheat Flour	HS Code 1101.0000
Sorghum	HS Code 1007.0000
Refined Vegetable Oils &Fats (but excluding Linseed, Castor and Olive oils. Crude Vegetable oil are however NOT banned from importation)	H.S. Code 1507.1000-1516.200.29, HS Codes 1507.1100-1516, 2000
Cocoa Butter, Powder and Cakes	H.S Codes 1802-1803.2000, 1805.0000,1806.1000-1806.2000 and 1804.0000
Spaghetti/ Noodles	H.S Codes 1902.3000, HS Codes 1902.1100 – 1902.4000
*Fruit Juice in Retail Packs	H.S Codes 2009.110012-2009.110013-2009.9000.99
Frozen poultry and poultry products	HS Codes 0207.0000-0207.3600
Bird Eggs	H.S Code 0407.0000
Cassava and cassava products	HS Codes 0714.1000, 1106.2000, 1108
Millet	HS Code 1007.0000
Bottled water (sparkling and non-sparkling)	HS Codes 2201.0000-2202.0000
Beer (bottled and canned)	HS Code 2203

Pork and pork products, beef and beef products, mutton, lamb, and goat meat -	HS Codes 0210.1000 – 0204.5000, 0206.1000-0206.9000, 0210.1900, 1602.4900, 0202.2000, 1602.5000, 0204.4200, 0204.4300, 1602.9000, 0204.1000, 0204.2200, 0304.3000, 0204.4200, 0204,4300, 0210.7900, 0204,5000, 0208.9000, 0210.9900 and 1602.9000
Live or dead birds	HS Codes 0105.1100-0105.9900, 0106.3100-0106.9000, 0207.1100-0207.3600, 0208.9000 and 0210.9900
**Fruit juice in retail packs	HS Codes 2009.1100 – 2009.9000

** Fruit juice may be imported in concentrates or drums only.

SECTION VI: POST CONTACT AND FURTHER INFORMATION

1. Agricultural Affairs Office

U.S. Consulate General

2, Walter Carrington Crescent

Victoria Island, Lagos, Nigeria

Tel: +234-1-460-3577

e-mail: aglagos@fas.usda.gov

Website: http://nigeria.usembassy.gov/foreign_agric_service.html

Attache Reports, visit:

<http://fasintranetapps-gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

2. National Agency for Food & Drug Administration & Control (NAFDAC)

Plot 204, Olusegun Obasanjo Way

Wuse Zone 7, Abuja-Nigeria

Telephone: (234) -9-671-8008, (234)-1-473-0643

E-mail: nafdac@nafdac.gov.ng

Website: www.nafdac.gov.ng

3. Nigeria Customs Service

Customs Headquarters

3-7, Abidjan Street

Off Sultan Abubakar Way

Wuse Zone 3, Garki-Abuja, Nigeria

Tel: 234-9-523-4694, 523-6394, 2534680

E-mail: info@customs.gov.ng; pro@customs.gov.ng

Website: www.customs.gov.ng

4. Federal Ministry of Agriculture & Water Resources

Federal Secretariat, FCDA

PMB 135, Area 11

Garki-Abuja, FCT
Nigeria
Tel: (234) 9-314-1931, 314-2405
Fax: (234) 9-314-2532
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Nigeria's Economic Structure (Annual Indicators)

	2010	2011	2012	2013
GDP (US\$ bn)	369.8	273.04	262.61	278.97
Real GDP growth (%)	6.8	7.2	6.3	6.81
Consumer price inflation (av; %)	13.9	10.8	12.2	10.43
Population (m)	158+	160+	168.8	170+
Exports of goods fob (US \$ b)	76.33	42.0	96.8	103.98 ##
Imports of goods fob (US\$ b)	34.18	61.65	53.36	64.56 ##
Current account balance (US\$ b)	27.77	11.6	10.80	10.03 ##
Foreign exchange reserves excluding gold (US\$ m)	43.36 (incl. gold)	33.0	5.3**	44.18 ##
Total external debt (US\$ bn)	11.02	41.9	18.3***	8.26#*
Debt-service ratio, paid (%)	--	--	--	--
Exchange rate (av.) N: US\$	150.88	160	160	160

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates.

'N', represents Naira (Nigeria's currency). ## Industry sources. # - CIA estimates.

Sources: 2008 figures obtained from Economist Intelligence Unit, Country Report (Nigeria)—May, 2009

The 2010 figures are estimates from CIA World Factbook, 2011, National Bureau of Statistics (Nigeria), 2011,

African Economic Outlook, 2011, **** <http://www.tradingeconomics.com/nigeria/indicators>,

#*<http://www.thisdaylive.com/articles/nigeria-s-debt-rises-to-n8-32-trillion/164609/>